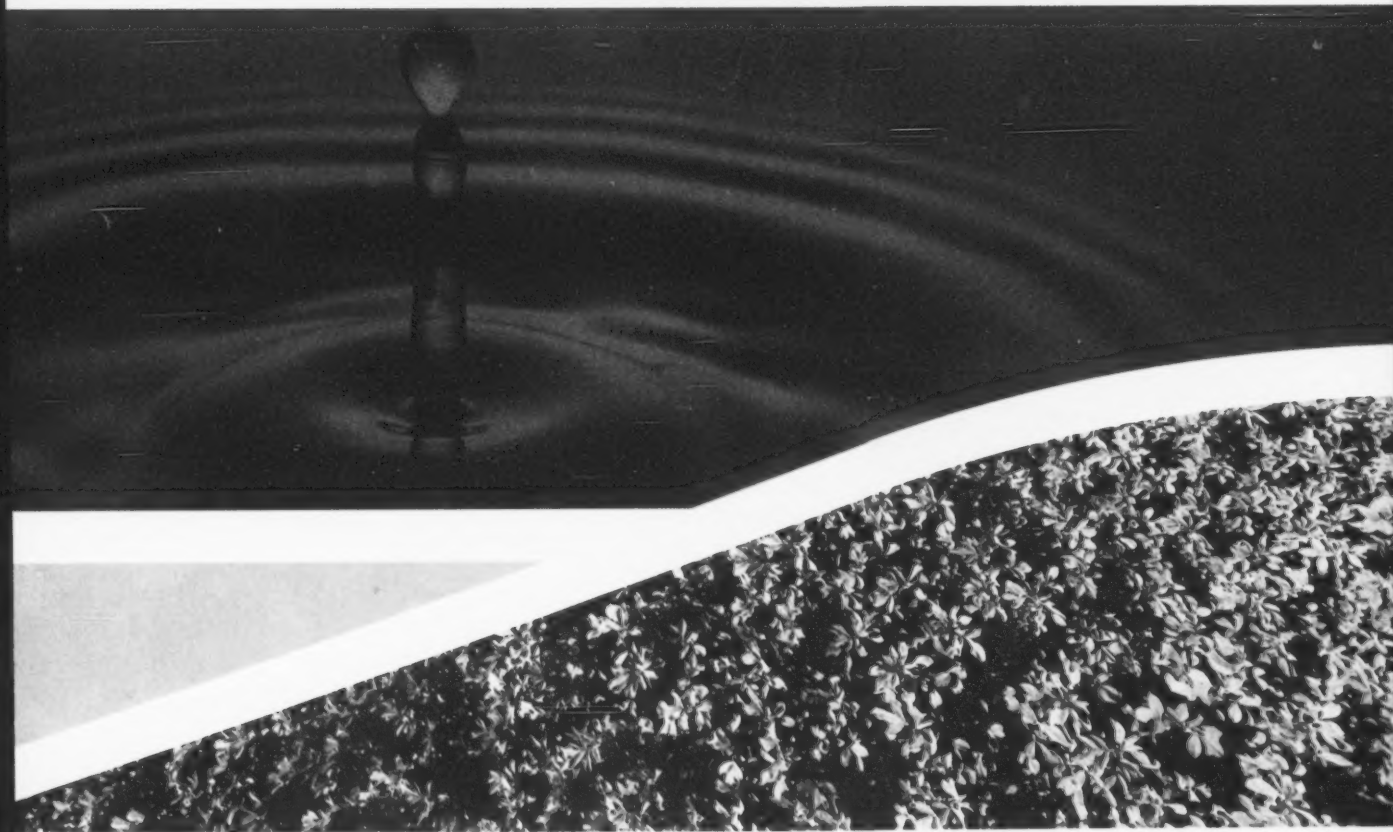


Prairie Agricultural Machinery Institute

# Annual Report

2010-11



*Innovative solutions for agriculture and beyond*

# Year at a Glance

## Ag Research

- 36 projects
- \$2.1-million value
- \$49-million economic impact\*
- 405 jobs\*

### Areas of Work:

- Bio-energy
- Cow/calf, forage, economics
- Wind energy
- Manure treatment
- Livestock Identification technologies
- Canola storage technologies
- Safety

## Ag Development

- 30 projects
- \$1.1-million value
- \$15-million economic impact\*
- 40 jobs\*

### Areas of Work:

- Header development and testing
- Harvester field testing and development
- Wind energy resource measurement
- Composting trials
- Fertilizer technology development
- Seed technology development
- Harvester test equipment development

## Ag Partnerships

- 130 activities
- Service on boards and committees
- Consultations
- Helping explore new opportunities in agriculture

## Strategy

- Significant accomplishment of past strategic plan
- Renewed strategic plan for future, 6 key objectives

## Learning and Growth

- 9% growth in staff
- Significant investment in technical and safety training

## WESTEST

- 38 projects, all areas
- Vehicle performance centre opening

## Information Services

- 30 activities and events
- Info-video development
- Technical articles, summary research reports
- Conferences, seminars, producer events
- Website updates

\* Economic estimates made by PAMI

## Prairie Agricultural Machinery Institute

# Annual Report 2010-11

*Innovative solutions for agriculture and beyond*

---

### Table of Contents

Letters of Submittal	2
Mission and Leadership	3
Chairman's Message	4
President's Message	5
Strategic Direction	6
2010-11 Highlights	7
Agricultural Production Technologies	10
Bioenergy and Products	12
Western Beef Development Centre	14
Safety	18
Outreach	22
Industry and Resources	23
WESTEST	24
Our People	26
Financial Reports	28
Management Report	28
Independent Auditor's Report	29
Financial Statements	30
Notes to Financial Statements	33

Honourable Bob Bjornerud  
Minister of Agriculture  
Government of Saskatchewan

Honourable Stan Struthers  
Minister of Agriculture, Food  
Rural Initiatives  
Government of Manitoba

# Letters of Submittal



**PAMI**

Humboldt, Saskatchewan  
March 31, 2011

The Honourable Bob Bjornerud  
Minister of Agriculture,  
Government of Saskatchewan

The Honourable Stan Struthers  
Minister of Agriculture, Food and Rural Initiatives,  
Government of Manitoba

It is my honour to present the annual report of the  
Prairie Agricultural Machinery Institute for the year  
ended March 31, 2011.

Respectfully submitted,

Tim Oleksyn  
Board of Directors Chair  
Prairie Agricultural Machinery Institute



Saskatchewan  
Ministry of  
Agriculture

March 31, 2011

The Honourable Dr. Gordon L. Barnhart, S.O.M.  
Lieutenant Governor,  
Province of Saskatchewan  
Chancellor of the Saskatchewan Order of Merit

Your Honour:

I have the honour to submit the annual report of  
the Prairie Agricultural Machinery Institute for the  
year ended March 31, 2011. It includes the financial  
statements audited by the Provincial Auditor.

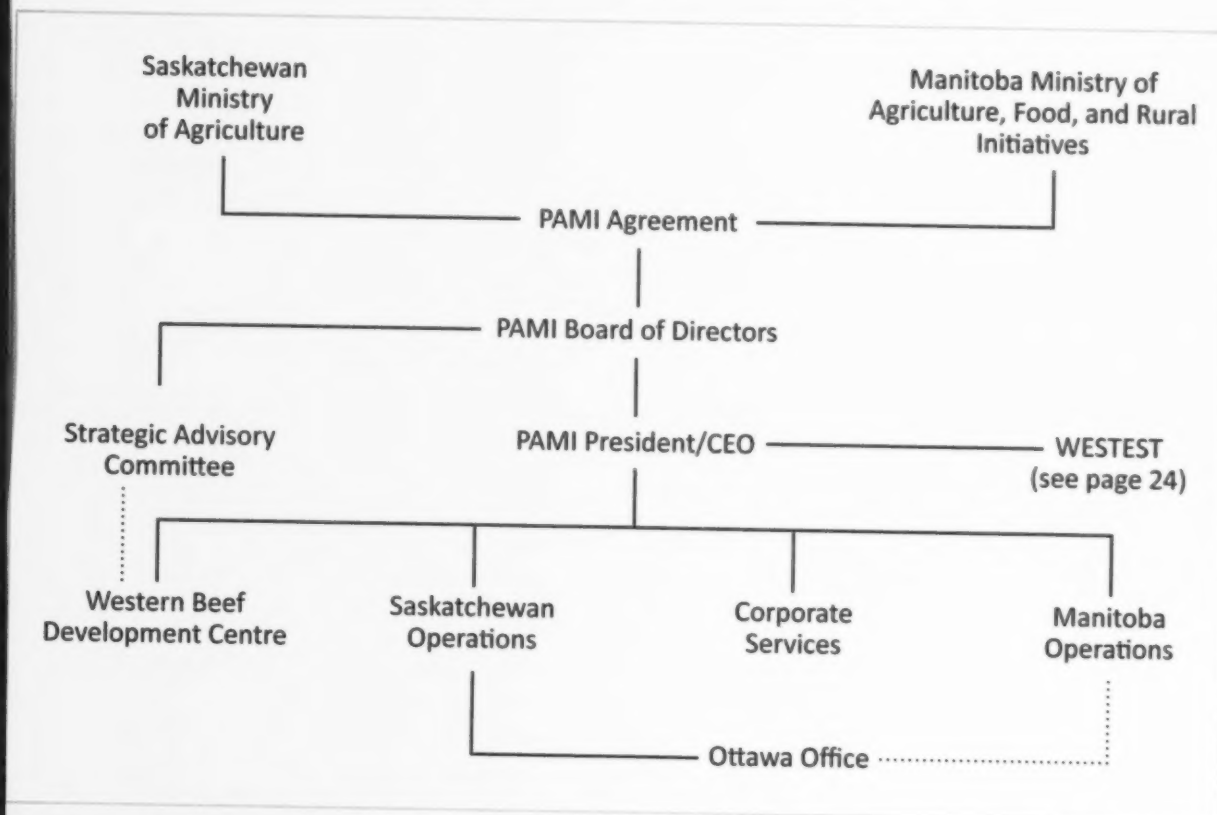
Respectfully submitted,

Bob Bjornerud  
Minister of Agriculture  
Government of Saskatchewan



# Prairie Agricultural Machinery Institute

**Mission:** To enhance sustainability and profitability in agriculture and other sectors through research, innovation, adaptation and knowledge transfer



**PAMI**

## Board of Directors

- **Tim Oleksyn**, Chair and Saskatchewan Producer
- **Bill Zettler**, Vice-Chair and Manitoba Producer
- **Jerry Engel**, Representative of Agricultural Manufacturers of Canada
- **Dr. Abdul Jalil**, Representative of the Saskatchewan Ministry of Agriculture
- **Dr. Allan Preston**, Representative of Manitoba Agriculture, Food and Rural Initiatives

## Corporate Management Team

- **David Gullacher**, President/Chief Executive Officer
- **Joanne Forer**, Vice President, Finance and Administration
- **Harvey Chorney**, Vice President, Manitoba Operations
- **Dr. Paul Jefferson**, Vice President, Western Beef Development Centre
- **James Wassermann**, Vice President, Saskatchewan Operations

# Chairman's Message

Tim Oleksyn



The agriculture industry, and the sectors with which it connects, is changing at an unprecedented rate. With change comes opportunity, and while the challenges are complex, we find ourselves in a climate of optimism that is demanding research and innovation. Within this context and dynamics, the PAMI Board of Directors met this past year to draft a new vision and three-year strategic plan for the organization.

*Innovative solutions for agriculture and beyond* - our new vision statement relates three important ideas. First, it speaks to our ambition to lead the type of research and development, in partnership with our industry, which is driving the economy. Being in the driver's seat provides a unique perspective that we view as an opportunity to advance the industries we serve. Secondly, the statement supports a culture of creativity and innovation. Finally, it recognizes that with agriculture as our foundation, the solutions we can provide are far reaching and multi-disciplinary.

PAMI's new strategic plan prioritizes an elevation of the organization's profile and increasing our public visibility and communications. Unique in Canada, we are a success story. By investing in our own brand, we can forge and renew relationships that will enable our own learning and that of our partners. With producers, we can share information to help them become more productive, efficient, and profitable. To manufacturers, we can communicate the producers' needs so as to improve and validate their technologies. The roots of so many consumer technologies are in agriculture. This is a tradition that deserves to be celebrated as an industry in growth.

Our technical initiatives will be driven by industry need. From projects that ensure safety, to exploring the opportunities to leverage information technology and GPS into seeding and spraying operations, to modulating the temperatures and moisture content levels of the seeds that we are harvesting, to bio-energy initiatives - these ideas are integral

to agriculture, and transferable to other industries. Through research and innovation, we are achieving effectiveness. Change has been fast-tracked in the last five years, and we are going to continue to position ourselves at the forefront of anticipating those needs.

I congratulate the PAMI and WESTEST Boards, and the WBDC Strategic Advisory Committee for their articulate direction. Their input is vital to our success because they draw from experience in all different sectors and parlay it into the vision that will improve both the organization and the industries we serve.

I also congratulate the Corporate Management Team, led by our CEO, and PAMI's employees for the realization and implementation of our strategic plan. Initiative is taken, not given, and they should feel honoured by the vote of confidence by public and private stakeholders that the organization has been granted.

I thank the Governments of Saskatchewan and Manitoba for their enduring trust in PAMI. They understand that we have both the drive and capability to accomplish our objectives and help keep the growth, thought process, and innovation going in the industries so vital to our provinces. Our direct stakeholders and the people of our provinces have benefitted tremendously from their ongoing and growing support.

We are into a new environment in agriculture and industries beyond. With it, change accrues, but so does knowledge and capability. There is so much growth, optimism and need that our achievements have the potential to carry significant impact. However, centering our organization on the anticipation of that need will be the foundation of our achievement. It will remain our focus and the Prairie success.

# President's Message

David Gullacher



As we stand facing a new vision, supported by a revised strategic plan, it is important to reflect upon the accomplishments of the past period to maintain a sense of tradition, understand our evolution and leverage our strengths in order to build capacity and capability.

Over the past few years, our 84 employees in Saskatchewan and Manitoba have been striving toward three key objectives. We are ready to declare success in establishing the Applied Bioenergy Centre, growing Manitoba's agricultural research and development hub, and demonstrating leadership in beef production information.

The Applied Bioenergy Centre has taken on many projects in both provinces. It has evolved beyond establishment and operation to a point of maturity, where we explore new ideas and approaches. We have undertaken projects in the areas of composting and biodigestion, manure treatment and fertilization, biomass utilization, and biofuels testing. Together with our partner organizations, we are creating a more sustainable future in farming. Along the way, we are earning recognition for our expertise in this emerging field.

During the last period, we also sought to establish a strong presence in agricultural research and development in Manitoba. Today our Manitoba operations have achieved parity with our established practice in Saskatchewan. Our employees are sought for their expertise to serve on boards such as the Manitoba Livestock Manure Management Initiative, the Life Sciences Association of Manitoba and the Centre for Emerging Renewable Energy. Innovative projects are undertaken by the government and industry leaders into the realms of alternative energy, composting and manure treatment; PAMI is poised at the centre of it all.

With the Western Beef Development Centre, we sought to become a leading institution for beef research in Western Canada and to maximize the profitability of the cow-calf sector in Saskatchewan. We have moved far beyond these goals to a point where our research is cited across the world. Every year, the WBDC has taken on more projects, employing more staff.

Effective work is carried out by talented employees. In our new strategic plan, we look to refine our human resources strategies to demonstrate leadership in our local communities, and to continue to attract top minds to our organization. Experts, innovators and leaders naturally attract more good people. We give them the flexibility to pursue their own thought processes. With the freedom to explore, our employees gain wisdom and surpass their own potential by collaborating.

Through the realization of our strategic plan, our employees have made important contributions to their professions and the communities in which they live. They are the root to innovative solutions for agriculture and beyond. I look forward to the way they will shape and grow our organization in the future.

# Strategic Direction

## 2011

PAMI's Board of Directors, together with its Corporate organization in December 2010. The revised vision PAMI for the next three to five years.

### Vision

Innovative solutions for agriculture and beyond

### Mission

To enhance sustainability and profitability in agriculture and other sectors through research, innovation, adaptation, and knowledge transfer

### Objectives

- Enhance PAMI's profile to rebrand the organization
- Increase public visibility and communications party learning.
- Pursue initiatives that evaluate the economic solutions and bioresources, discover environmental of agricultural machinery, and cultivate technology innovation.
- Achieve financial stability and growth.
- Adopt a human resources strategy that positions our organization as a leader in the local community and an employer of choice.
- Develop capital requirements to facilitate growth.



# PAMI Highlights 2010-11

## Agricultural Production Technologies

PAMI strives to serve the farmers of Western Canada through development services offered to the Agricultural Manufacturers of Canada and major industry players such as CNH and John Deere. Working with the equipment from manufacturers allows PAMI to apply its local expertise and engineering capabilities and provides a unique perspective of prairie farmers.

Mechanical treatments have been provided to help show the effect of handling on the viability of new seed varieties being developed.



Over the past year, PAMI has provided ongoing services for testing durability and field performance of equipment, developing machine design equipment, designing and implementing measurement infrastructure, and developing equipment that will give an accurate picture of the development of future equipment. PAMI has provided consultation on the viability of equipment for the Western Canadian market.

In the crop production field of agriculture, PAMI continues to support long-term studies of the effects of manure application as well as studies using more traditional fertilizers.



## Grain Moisture Measurement and Natural Air Grain Drying

Natural Air Grain Drying systems were developed in the prairies and elsewhere from the 1970s until the late 1980s. They allow extension of the harvest season by letting harvest begin earlier at higher grain moisture content, and to continue when grain is damp after rain.

One project undertaken by PAMI involved monitoring fan use for natural air grain drying in the past few decades. Data were collected from a number of farms in the region. The results showed that fan use was highest in the 1970s and 1980s, and has since declined. A simulation was developed that during August 2010, the fan should only have been in operation 30 per cent of the time to achieve optimal drying, as well as energy savings.

If producers reduce their fan operation by 50 per cent, they will save \$150 in energy costs per fan. A producer with 10 aeration grain bins could save \$1,500 per month and \$500 over a season.

## Canola Storage Research

Through funding from Saskatchewan and Saskatchewan Agriculture and Forestry, PAMI has been working to improve canola storage quality of oilseeds. The first phase was completed in 2010. The canola seeds were stored in a bin for 12 months. The initial moisture content was 20 per cent at 20°C. Initial results now suggest that moisture content below eight per cent is more appropriate for the new higher oil varieties. There are multiple factors surrounding drying, storage, and spoilage. Upcoming research will explore the implications on farming practices.



## Harvesting Equipment Performance

PAMI's Harvesting Technologies team has more than 150 years combined experience in evaluating, testing and developing harvesting equipment for the prairie provinces. PAMI has provided manufacturers and farmers with harvesting expertise for grain crops such as cereals, oil seeds, pulses, canola, soybeans, wheat, barley, canary seed, flax and forage.

Our expertise extends to the design and development of harvesting equipment for a wide range of crops and conditions. We have a proven track record in the design and development of harvesting equipment for a wide range of crops and conditions. We have a proven track record in the design and development of harvesting equipment for a wide range of crops and conditions. We have a proven track record in the design and development of harvesting equipment for a wide range of crops and conditions.



# Bioenergy and Products

The Applied Bioenergy Centre (ABC) is a division of PAMI with a vision that Saskatchewan and Western Canada have the potential to build a bio-based economy, founded in part upon the utilization of agricultural products and byproducts for energy. With a goal of supporting and advancing the technology needed for prudent and practical bioenergy utilization, the Centre has numerous initiatives underway.

## Solid State Anaerobic Digestion

The opportunity to convert biomass into energy is a significant opportunity in the field of agriculture. Anaerobic digestion is an area of research growth across Canada. While other provinces are exploring the potential to convert liquid biomass into energy, solid state anaerobic digestion (using solid manure and wet distiller's grains) is a new field of study that is being led in Saskatchewan at the ABC.

Commissioning trials were conducted in fall 2010. The first bag of PAMI's unique process chamber, for which a patent application has been filed, was loaded and gas was produced and collected. A liquid recirculation delivery system was also commissioned then shut down for the winter months. The gas analyzer will be installed and commissioned on May 30, 2011. It is

being used to analyze the concentrations of CO<sub>2</sub> and CH<sub>4</sub>. The digester makes use of many custom-designed and fabricated technologies to meet gas code, air tightness requirements and to adhere to safety regulations.

Beginning in spring 2011, the solid state anaerobic digester is ready for full-scale trials where staff will be able to measure, evaluate and analyze gas. Twelve runs have been scheduled for the next year, with each trial lasting an average of 30 days.

Currently the project is pilot-scale and experimental, but external groups have expressed interest in using the system. In the future, PAMI will provide access to industry groups and conduct tours.

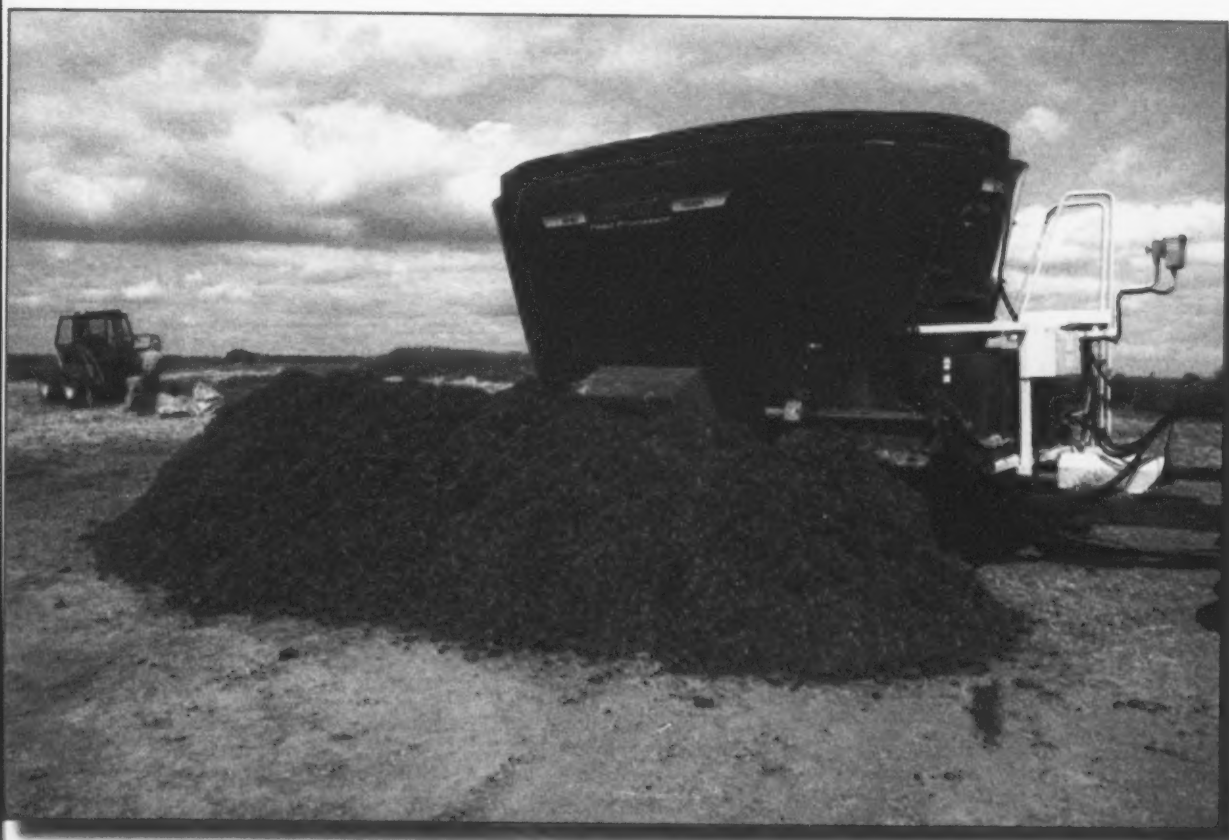
## Manure Research

Manitoba is facing new legislations surrounding manure management aimed at reducing nutrient loading. In June 2010, PAMI completed a literature review in order to recommend the most effective technologies to combat the phosphorus overloading. A paper was presented to the Manitoba Livestock Manure Management Initiative (MLMMI). The leading dewatering solutions include a centrifuge and a rotary press. Over the next year, PAMI will be testing the equipment at a commercial scale barn to evaluate the efficiency, effectiveness and costs in reducing phosphorus levels.

## In-Vessel Composting

Through a project funded by MLMMI, researchers at the Portage la Prairie facility conducted a composting trial. The liquid from the earthen manure storages containing hog manure and chicken manure was pumped out, and wheat and barley straw were added using a feed processor. The mixture was then placed directly into forage bags for composting.

The finished compost did not meet the CCME Guidelines for Compost Quality for any of the trials in this project. Specifically, compost did not meet the criteria for pathogens, having elevated levels of fecal coliforms. Salmonella was also detected in one sample. However, in-vessel composting has advantages in that environmental influences on the composting process are minimized; there is less site preparation than open windrow methods, and reduced odour emissions. A disadvantage to in-vessel composting is the inability to modify the compost mixture, whether through moisture addition or mixing the compost to break up moisture stratification.



## Mobile Densification and Pelleting

Bulk is an obstacle facing the viability of solid biomass as an energy source. Through pelleting and cubing, researchers in Portage la Prairie are trying to increase the energy-to-volume ratio, thereby reducing transportation costs from the field to the factory. Agricultural biomass is an ideal source because of its low moisture content, potential for lower processing requirements, producer expertise in collection and storage, and CO<sub>2</sub> neutrality.

PAMI has been conducting cold densification trials with pure straw without the use of external heating or binding agents. The resulting cubes have been analyzed for energy value.

Locally, PAMI staff traveled to Brandon in March 2011 to present on mobile densification at the 4<sup>th</sup> Annual Biomass Workshop and Tour.

*A straw bale and its equivalence in pellets - mobile densification makes biomass much easier to transport*



## On-Farm Energy Audit

Staff at PAMI's Portage la Prairie location undertook a literature review in the past year with a view to conducting an on-farm energy audit. The study will measure nitrogen inputs and diesel usage. The project is currently in the proposal stage and is likely to be carried out in 2012.



## Solid Fuel Combustion Centre Feasibility Study

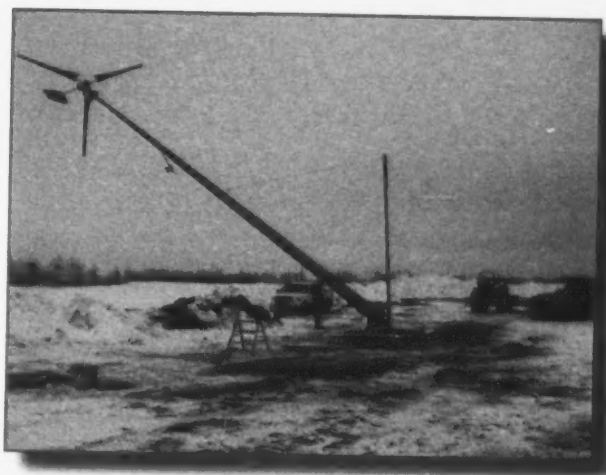
While liquid fuels such as biodiesel and ethanol are opportunities, direct combustion of solid biomass is one of the most effective ways of capturing the maximum energy from bio-products. Agricultural residues are abundant in Saskatchewan and Manitoba, but their use in traditional biomass combustion systems poses many challenges. Relevant equipment, such as furnaces and burners, are in their infancy.

An investigation into the feasibility of biomass combustion systems for heating in Saskatchewan was completed in September 2010. It revealed that solid fuel and biomass combustion is a feasible way to produce heat and energy, but demonstration is needed to determine the types of equipment necessary, the maintenance needs, and comparisons to natural gas furnace systems. Industry demand for this information has not yet matured.

## Wind Energy

Over the past few years, PAMI was involved in wind energy research across Manitoba. PAMI's role has been at the placement and operation of meteorological towers to measure the viability and economic benefit of erecting windmills for energy production. In the coming year, PAMI will be installing four small-scale wind farm projects to determine the feasibility of the sites, and a tower in Churchill.

In 2010-11, PAMI worked with Core Renewable Energy Inc. toward the research and installation of a wind turbine electrical system at Providence University College in Otterburne, MB. The campus has eliminated 60 per cent of its reliance on natural gas, and seeks to become a carbon neutral academic institution.



# Western Beef Development Centre

The core function of the Western Beef Development Centre (WBDC) is to maximize the profitability of the cow/calf sector in Saskatchewan. The Centre is operating at full stride, engaged in a record number of projects in 2010-11. The Centre is seeing increases in private and third-party driven projects and research demands from across the prairie region.

WBDC explores ways to reduce winter feeding costs as these costs comprise a significant percentage of a cow's annual production costs. Many projects focused on reducing costs through grazing alternative feed sources such as crop residues, perennial grass pastures, and a new rye variety.

## Research Highlights

### Cost of Production studies

With the hiring of Kathy Larson to fill the beef economist position in 2010, the Centre has been able to resume its annual Cost of Production study. In the past fiscal year, the beef economist completed a capture of 2008 data in an effort to bridge the gap between the last published study in 2005 and current data. Now underway, the 2010 study is to be released in June 2011. Studies will now be completed on an annual basis.

By working with producers through on-farm visits, data is collected to form an aggregate from which benchmarks are derived.

WBDC's Cost of Production studies play an important role in informing governmental policy, providing industry direction, and encouraging producers to improve their efficiency.

"We worked with a customer to create a winter feeding solution for his herd of 350 cows. It included swath grazing Red Proso Millet and bale grazing. The producer saved over \$0.50 per cow per day. The research at WBDC contributed significantly to his decision to implement this strategy."

- Patty Smith  
Blair's Crop & Livestock Solutions

Producers take interest in the WBDC's analysis of the cost to produce a weaned calf, reported as Dollars-per-Cow and Dollars-per-Pound, to evaluate the competitiveness of their own operations.

## Strategic Advisory Committee

Tim Oleksyn (Chair)  
Rick Toney  
Duane Thompson  
Murray McGillivray  
Dave Kerr  
Dennis Edwards  
Brent Griffin

### Researchers

Dr. John McKinnon (Animal & Poultry Science, University of Saskatchewan)  
Dr. Steve Hendrick (College of Veterinary Medicine, University of Saskatchewan)

### Governmental Representatives

Grant Zalinko (Saskatchewan Ministry of Agriculture)  
Jim Armstrong, (Saskatchewan Ministry of Agriculture)  
Rick Gaube (Agriculture and Agri-Food Canada)  
Juanita Kopp (Manitoba Agriculture, Food and Rural Initiatives)

## Short-Rotation Forage Legumes

Grain farmers and cattle producers often live in close proximity. WBDC has been evaluating the opportunity for cattle producers to lease land from the grain farmer to grow legume hay crops. The relationship could be mutually beneficial, yielding a high-quality winter feed source for the cattle, and a nitrogen benefit produced by the legumes for future crop production.

Preliminary research suggests that the nitrogen benefits derived from legume hay crops could range between 35 to 70 lbs. per acre, representing a significant reduction in fertilizer costs.

Using four sites around Saskatchewan representing different soil types, WBDC has completed the first of a four-year study funded by the provincial ministry's Agriculture Development Fund (ADF). Growing perennial legume crops for hay, the team seeks to determine the nitrogen benefit in the coming years. The crops themselves have shown promise. In the establishment year at the Lanigan site, alfalfa yields were 2.5 tons per acre. Red clover yields were 1.25 tons per acre.



**Western Beef  
Development Centre**

Division of PAMI

## Stockpiling Perennial Forages

Through the ADF, researchers at WBDC are conducting a comparison of swath grazing versus bale grazing of perennial forages. The project is inspired by past WBDC research on annuals such as barley and millet that revealed successful swath grazing. The advantages of swath grazing are a reduction in production costs (e.g. baling, transportation) and nutrient recirculation.

## Pasture Rejuvenation

An exploration of pasture rejuvenation techniques has been made possible through funding from the Agricultural Demonstration of Practices and Technologies (ADOPT) program. WBDC has been conducting a comparison of a subsoiler (Rootbed Renovator) technology with manure application on crested wheatgrass. The subsoiler undercuts the grass and lifts soil to improve infiltration. It also enhances root trimming, which may improve nutrient cycling.

The manure treatment was applied last summer. Forage yields will be collected in summer 2011.

## Alternative Feed

WBDC is working with West Central Pelleting and the University of Saskatchewan to evaluate processed feed products from by-products including grain screenings, off-grade canola, and dry distiller's grains. The supplemented pellets will target the nutritional requirements of different classes of cattle.

Preliminary observation suggests a decline in the quality of the perennial forages' swath. Annuals, particularly millet, tend to have waxy surfaces on the plant and seed heads that lend to moisture resistance.

## Replacement Heifer Programs

Beef producers typically raise more heifers than they actually desire to incorporate as replacements into the normal breeding herd because they know some animals will fail to conceive, some will have high labour requirements and some will fail to breed a second time. On average, producers are raising 35 per cent more animals than they need, which adds significant cost to their operations. In response, the WBDC is conducting research to explore improvements to the efficiency of replacement heifer programs.



## RFID Tags

Radio Frequency Identification (RFID) tags became mandated by the Canadian Food Inspection Agency in 2002 to help track the movement of cattle. Through the ability to pinpoint the outbreak of disease, the beef industry will be enhanced and protected with the knowledge of which animals are at risk.

WBDC and PAMI's Saskatchewan operations have been working to improve RFID tag technology. Borrowing equipment from Agriculture and Agri-Food Canada, PAMI has been seeking gains in readability and attachment. By understanding the technology and its limitations, the team has been able to provide usage guidance through a report.

*Measuring readability distance between  
a wand reader and a RFID tag*



## Outreach

The WBDC reaches out to producers to help improve the profitability of their operations. Staff produce fact sheets and scientific papers, organize events, and commit to speaking engagements. New this year, the Centre began publishing a quarterly electronic newsletter and posting YouTube videos summarizing research results. One can subscribe to the WBDC's YouTube channel at [youtube.com/user/WSTRNBEEF](https://youtube.com/user/WSTRNBEEF).

WBDC continues to gain international recognition. Its research has been cited in academic publications worldwide. Most recently WBDC research has been requested and recognized in the United States, specifically in Montana, North Dakota, South Dakota and Nebraska. Other countries referencing and requesting WBDC research include Sweden, Finland, Australia, China and Mongolia. The Centre also receives visits from international scholars.

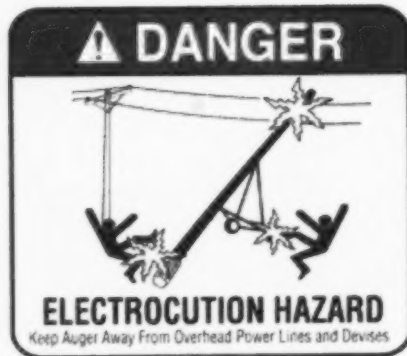


# Safety

PAMI VP Jim Wassermann is the Vice Chair of the Canadian Standards Association (CSA) Technical Committee on Agricultural Machinery. The committee maintains approximately 48 CSA standards that allow designers and engineers to develop new machines that meet national standards and international guidelines.

In the past, PAMI completed important work toward a Canadian standard for portable augers. The standard has been confirmed. Today's emerging issues, as identified by the CSA Technical Committee include:

- high-speed tractors and compatibility with dependent agricultural machinery and implements
- LED lighting integration
- safety symbols and their universal recognition



## Safe Implement Hitching Guide

The CSA Agricultural Machinery Committee noted concerns from farmers across Canada about lack of knowledge of the proper procedures and equipment for hitching implements to tractors. Today's tractors are faster, but implements are not necessarily designed to handle the speed. Furthermore, implement manuals become lost as the equipment ages. In response, the committee asked PAMI to develop a guide to address the safety issues associated with implement hitching.

The Safe Implement Hitching Guide has received approval from the CSA Technical Committee on Agricultural Machinery and will be published in May 2011. It will be distributed across North America by PAMI, the Association of Equipment Manufacturers and the Canadian Agricultural Safety Association.

## Auger Intake Guards

Auger intake guards must serve a dual purpose of allowing material to flow while protecting human users from injury. Although intake guards accommodate most situations, there is still a tendency for producers to remove the guards without replacing them, thereby exposing the operator to risk.

The workers' safety and security commission of Quebec turned to PAMI to evaluate innovative designs. PAMI explored two options - one was in use in Australia; the other was designed by PAMI with a grating over the hopper. Each design had merits, but because neither was perfect, PAMI is testing two more designs in 2011-12.



## Elevated Work Platforms

Orchard mobile elevated work platforms allow convenient access to trees for pruning and picking fruit. Many of the machines in use had been developed decades ago, and are not compliant with current occupational health and safety regulation. PAMI has been working to develop an engineering standard to make the units safer, along with an accompanying operator's manual. Elevated work platforms is the third in a series of projects between PAMI and the Farm and Ranch Safety and Health Association (FARSHA), and is scheduled for completion in May 2011. In addition, the Canadian Agricultural Safety Association (CASA) provided funding.

Organizations like CASA and FARSHA recognize the gaps that exist between older technologies and current occupational health and safety requirements. Engineering solutions have proven to be the most cost effective way of addressing concerns. PAMI has been entrusted with a lead role in improving safety to extend the usability of implements and equipment.



## Rollover Protective Structures (ROPS)

PAMI is one of the most active, independent ROPS design and testing facilities in North America, and maintains committee membership on the Canadian Standards Association ROPS committee. PAMI has built on its recognition as a lead innovator in trying to find a solution to make ROPS for older tractors more affordable. Today, staff engage in regular projects for industry, particularly unique machines in the oil and gas, mining, and forestry industries.

In the coming year, staff will develop a proposal with the New York Center for Agricultural Medicine and Health to develop lower cost ROPS. Similarly, the Canadian Agricultural Safety Association is planning complementary research with PAMI.

## National Defence and Public Protection

Through its Memorandums of Understanding with the Department of National Defence (DND) and the Royal Canadian Mounted Police, PAMI continues to protect military and police personnel by solving mechanical problems and reducing maintenance costs.



# Outreach

## Combine Clinic

The rebirth of the "Combine Clinic," developed in concert with the Canola Council of Canada and delivered to over 350 attendees at the 2009 Crop Production Show, was considered a strong indicator that there is a pent up demand for practical information. In 2010, eight similar events were delivered to 1,500 to 2,000 participants across the prairie provinces.

Combining is the activity in crop production that drives the ability to earn revenue. By gaining an understanding of the expense of loss and how to prevent it, producers can improve their performance and make more informed equipment purchases in the future.

To reach more producers in the future, PAMI is exploring web-based technologies to make the information available on demand.



## Small and Medium Enterprises (SME) Marketing Initiative

Through funding from the National Research Council Industrial Research Assistance Program, PAMI is contributing to an initiative to apply technology to advance the Saskatchewan and Manitoba agricultural manufacturing sectors. The purpose of the initiative is to build SME awareness of the technological opportunities to accelerate product commercialization, reduce risk, increase profitability, attract investment, and contribute to the economy through wealth generation and job creation. Support services include competitive technical and market intelligence services, technical advisory service, advice on lean manufacturing opportunities, operations assessments, and strategy development.

Over the past year, PAMI has interfaced with 25 manufacturers. Although the initiative is in its infancy, five projects have moved forward as a result. With a goal of \$350,000 in research and development projects, the value is on track to be reached in 2012.



# Industry and Resources

## Mower Optimization

Working with Buhler Industries, PAMI completed a product optimization project on a line of triplex rotary mowers. Commissioned to focus on structural opportunities, PAMI staff made significant improvements in cutting performance, manufacturability, and manoeuvrability while achieving significant weight and part count reductions.



## Street Sweeping

PAMI is one of the most recognized and respected street sweeper test organizations in the world. In the past year, staff completed a project with the European association of street sweeper manufacturers of approximately 20 members to develop a European test procedure. Involvement required several technical meetings, considerable experimental testing, and the development of a detailed test protocol. During the summer of 2011, staff will be working in Europe to train the European personnel on the new protocol.



## Vehicle Testing

PAMI has leveraged its ISO 17025 accreditation for vehicle testing purposes and has earned distinction as a National Laboratory. From seatbelt testing to destructive pulls, PAMI conducts extensive testing on the safety systems of ambulances.

# WESTEST

WESTEST was created in 1991 by five founding members. Their objective was to bring to industries in Western Canada a complement of advanced engineering capabilities, based on leading-edge physical testing equipment. PAMI has no ownership interest in the organization or position on its Board of Directors, but carries out the business operations of WESTEST, under a management agreement.

With elected officials and industry representatives in attendance, WESTEST held an official opening of its new Vehicle Performance Centre in January 2011. The consensus communicated among attendees is that WESTEST is a valuable resource to Western Canadian industry, and will continue to grow in significance through increased commercial contact.

The \$2.2 million capital cost of the Vehicle Performance Centre was funded by four collaborating agencies:

• Western Economic Diversification Canada	\$1,675,000
• Province of Manitoba	\$ 200,000
• WESTEST	\$ 220,000
• PAMI	\$ 105,000

"We are very grateful for the funding contributions to this new centre," said Chair Jerry Engel. "We are grateful to Western Economic Diversification Canada for their majority contribution, and especially to the Province of Manitoba for their strategic contribution which helped us close the gap on this complex facility project."

Two clients who have been using the Centre extensively are New Flyer Industries Inc. and Motor Coach Industries. As a result of WESTEST's services, they have been successful in performing powertrain evaluations as a direct result of the thermal stability benefits offered by the controlled conditions of the test lab. The value of these third-party contracts for clients is that they receive an objective evaluation of the performance of their vehicles. WESTEST staff and clients then work together to make enhancements.

An important service provision that was added in the past year is the engine test stand. This service evaluates engine performance under fuel variables, including diesel additives.

## Board of Directors

Jerry Engel  
Carol Vibert  
Rhonda Orr  
Kevin L. Ehrecke

Don Watt  
Ken Swaving  
Brad Nelson  
Pamela Schwann  
James Umlah



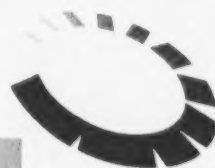
## Project Highlights

In 2010-11, WESTEST conducted several projects on behalf of clients. All work for clients is confidential and cannot be described in detail. In summary, WESTEST's ability to physically evaluate designs, under simulated conditions that accelerate normal operation, allows clients to quickly and effectively develop durable products with little to no uncertainty regarding their performance in service. This provides them with a substantial competitive advantage through rapid rollout of new products.

Private service provision included:

- auger gearbox testing
- driveline test
- bus tunnel frame MAST table test
- seat belt pull tests
- driver's seat tests
- polyethylene fuel tank durability test
- bus axle mount durability test
- structural frame durability test
- loader durability test
- Rollover Protective Structure (ROPS) design, build and test
- Falling Objects Protection Structure (FOPS) projects

# Westest



# Our People

PAMI employees take pride in the communities in which they live. Their volunteer contributions are wide ranging and include service on boards of directors, municipal council, minor sports coaching and support of local events. They also give generously to local and charitable causes.



## Professional Community Service

PAMI employees are sought for their professional expertise. The following lend their talents and knowledge to other organizations through service on committees and boards of directors.

### **David Gullacher**

Manufacturing Sector Team -  
Enterprise Saskatchewan

### **Joanne Forer**

Chair - Prairie Innovation Enterprise Region  
Advantage Credit Union

### **Harvey Chorney**

Manitoba Livestock Manure Management Initiative  
Life Science Association of Manitoba  
Centre for Emerging Renewable Energy  
Biofibe 2011 - Planning and Sponsorship Committee

### **Paul Jefferson**

Saskatchewan Stock Growers Association  
Adjunct Professor, U of S, Department of Animal and Poultry Science  
Beef Chair Advisory Committee, U of S, Department of Animal and Poultry Science

### **James Wassermann**

CSA Ag Machinery Standards Committee  
Saskatchewan Alliance for Safety and Health in Agriculture Working Group Committee  
Canadian Agricultural Injury Reporting Knowledge Translation Committee  
Professional Affiliate, U of S Bioresource Engineering Department  
St Peter's College

### **Bart Lardner**

Adjunct Professor, U of S, Department of Animal and Poultry Science

### **Nathan Gregg**

Saskatchewan Herb & Spice Association  
Saskatchewan Soil Fertility Committee

### **Phil Leduc**

Saskatchewan Herb & Spice Association  
CSA ROPS Standards Committee

# PAMI Staff

## Corporate Management Team

David Gullacher, President/Chief Executive Officer  
Joanne Forer, Vice President, Finance and Administration  
Harvey Chorney, Vice President, Manitoba Operations  
Paul Jefferson, Vice President, WBDC  
James Wassermann, Vice President, Saskatchewan Operations

## Administrative and Financial Services

Carol Bergermann, Controller  
Marilyn Malinski, Accounting Supervisor  
Gail Michel, Senior Accountant  
Jolene Dayholos, Administrative Supervisor, Quality Systems Coordinator  
Amanda Outingdyke, Resource Scheduler  
Myrna Britz, Quality Systems Supervisor  
Marina Haeusler, Resource Scheduler  
Maurina Kimmen, Administrative Assistant  
Dianne Lepage, Administrative Assistant  
Marjorie Schmidt, Accounting Clerk  
Laurie Szautner, Administrative Supervisor  
Ryan Keller, Shipper/Receiver

## Communications Services

Sharon Doecker, Research Librarian  
Brenda Freistadt, Communications Assistant

## Western Beef Development Centre

Dr. Herbert (Bart) Lardner, Senior Research Scientist  
Kathy Larson, Beef Economist  
Leah Pearce, Ranch Research Technician  
George Widdifield, Ranch Supervisor  
Krystal Savenkoff, Assistant Ranch Supervisor  
Brenda Freistadt, General Secretary

## Technical Services

Lorne Grieger, Assistant Vice President, Manitoba Operations  
Joy Agnew, Project Manager, Agricultural Research Services  
Nathan Gregg, Project Manager, Applied Agricultural Services  
Larry Jorgenson, Project Manager, Industry and Transportation Services  
Hubert Landry, Project Manager, Defence Analysis Services  
Gary Niekamp, Project Manager, Defence Engineering Services  
Derek Rude, Project Manager, Agricultural Development Services  
Les Hill, Manager, Business Development Agriculture and Bioresources  
Philip Leduc, Manager, Research and Development  
Troy Lucyshyn, Manager, Industry and Resources  
Steve Swiddle, Manager, Mechanical Testing  
Tyrell Bjarnason, Project Leader  
Gregory Burton, Computers and Electronics Supervisor

Scott Butler, Project Leader  
Ken Carmichael, Computer Systems Administrator and Instrumentation Supervisor  
Robert Cropper, Project Leader  
Les Funk, Project Leader  
Cam Cleaver, Project Leader  
Edwin Gono Santosa, Project Leader  
Dave Kelly, Project Leader  
Murray Kosokowsky, Project Leader  
Lyle Kotyk, Project Leader  
Bryan Lung, Project Leader  
Patricia Lung, Project Leader  
Roy Maki, Project Leader  
Mark Marianchuk, Project Leader  
Joel McDonald, Project Leader  
Peter Rhodes, Project Leader  
Wayne Stock, Project Leader  
Alan Whittaker, Project Leader  
Jason Wilger, Project Leader  
Bruce Hodgins, Project Technician  
Brent Hergott, Project Technologist  
Jason Harmon, Computer Systems Administrator  
Ryan Kolonosky, Electronics Engineering Technologist  
Jenna Bauml, Electronics Support  
Jason Bendel, Electronics Support  
Greg Pascal, Electronics Support  
Mike Pulice, Electronics Support  
Charles Hill, Electronics Support  
Scott Kennedy, Mechanical Support  
Gordon Doecker, Maintenance  
Aaron Gaudreau, Maintenance

## Shop Services

Ted Bay, Shop Supervisor  
Art Smith, Shop Supervisor  
Rob Cameron, Fabricator  
Lawrence Classen, Fabricator  
Tyler Dies, Fabricator  
Darryl Perlett, Fabricator  
Andrew Rauert, Fabricator  
Blair Thiemann, Fabricator  
Terry Carr, Shop Technician/Fabricator  
Andre Labossiere, Shop Technician/Fabricator  
Tyler Freriks, Shop Technician  
Garth Muyres, Shop Technician  
Lorne Niekamp, Shop Technician  
Daniel Washosky, Shop Technician  
Chris Marquis, Caretaker  
Greg Marquis, Caretaker



# Financial Statements

Prairie Agricultural Machinery Institute  
Financial statements for the year ended March 31, 2011

## Management Report

To the Members of the Legislative Assembly of Saskatchewan:

Year Ended March 31, 2011

The accompanying financial statements are the responsibility of the management of the Prairie Agricultural Machinery Institute. They have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgments, where appropriate.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. Management is also responsible for maintaining a system of internal controls, policies and procedures designed to provide reasonable assurance that assets are safeguarded and the accounting systems provide accurate and reliable financial information.

The Board of Directors is responsible for ensuring that management's responsibilities are properly discharged, to review and approve the financial statements. The Provincial Auditor of Saskatchewan has audited PAMI's financial statements in accordance with Canadian generally accepted auditing standards and her report follows.



David Gullacher  
President and CEO



Joanne Forer  
V.P. Finance and Administration

# Independent Auditor's Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of Prairie Agricultural Machinery Institute, which comprise the balance sheet as at March 31, 2011, and the statement of revenues, expenses and net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

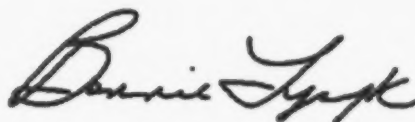
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Prairie Agricultural Machinery Institute as at March 31, 2011, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Regina, Saskatchewan  
June 29, 2011

Bonnie Lysyk, MBA, CA  
Provincial Auditor

# Statement 1

## Balance Sheet as at March 31

	2011	2010
<b>Assets</b>		
Current:		
Cash	\$ 112,533	\$ 11,243
Due from General Revenue Fund (Note 4)	1,098,823	353,986
Accounts receivable	2,656,285	3,057,956
Prepaid expenses	245,494	177,455
Inventory (Note 6)	156,066	241,553
	<u>\$ 4,269,201</u>	<u>\$ 3,842,193</u>
Restricted cash – General Revenue Fund (Note 5)	2,635,725	2,819,952
Property, plant and equipment (Note 7)	4,110,863	3,864,532
Breeding herd (Note 8)	245,515	302,180
	<u>\$ 11,261,304</u>	<u>\$ 10,828,857</u>
<b>Liabilities and Net Assets</b>		
Current:		
Bank indebtedness (Note 9)	\$ -	\$ 248,660
Accounts payable and accrued liabilities	1,372,094	1,245,662
Unearned revenue	639,686	422,792
	<u>\$ 2,011,780</u>	<u>\$ 1,917,114</u>
Deferred capital grants (Note 2)	2,067,634	2,289,922
Deferred grant revenue – ABC (Note 10)	2,714,220	2,858,574
	<u>\$ 4,781,854</u>	<u>\$ 5,148,496</u>
Total liabilities	6,793,634	7,065,610
Net assets (Statement 2)	4,467,670	3,763,247
	<u>\$ 11,261,304</u>	<u>\$ 10,828,857</u>

### Commitments (Note 11)

See accompanying notes to the financial statements.

# Statement 2

## Statement of Revenues, Expenses and Net Assets for the Year Ended March 31

	Budget (Note 17)	2011	2010
<b>Revenues</b>			
Provincial transfers:			
Government of Saskatchewan			
Ministry of Agriculture			
- operating	\$ 995,000	\$ 995,000	\$ 1,040,800
- capital	226,200	247,353	289,734
- ABC (Note 10)	300,000	166,365	358,054
Horned Cattle Fund (Note 15)	-	6,853	120,285
Government of Manitoba			
Department of Agriculture, Food and Rural Initiatives			
- special biomass development	-	-	64,000
- operating	260,000	259,682	259,682
	<u>\$ 1,781,200</u>	<u>\$ 1,675,253</u>	<u>\$ 2,132,555</u>
Fee for service	9,292,418	10,621,115	9,413,537
Interest income	960	15,208	1,917
Other income	219,600	378,679	254,532
Total revenues	<u>\$ 11,294,178</u>	<u>\$ 12,690,255</u>	<u>\$ 11,802,541</u>
<b>Expenses</b>			
Salaries and benefits	5,697,900	6,022,866	5,509,563
Other operating	4,999,092	5,551,962	5,005,163
Amortization	409,992	411,004	419,273
Total expenses (Schedule 1)	<u>\$ 11,106,984</u>	<u>\$ 11,985,832</u>	<u>\$ 10,933,999</u>
Excess of revenues over expenses	<u>\$ 187,194</u>	704,423	868,542
Net assets, beginning of year		3,763,247	2,894,705
Net assets, end of year (Statement 1)		<u>\$ 4,467,670</u>	<u>\$ 3,763,247</u>

See accompanying notes to the financial statements.

# Statement 3

## Statement of Cash Flows for the Year Ended March 31

	2011	2010
<b>Cash flows from operating activities:</b>		
Receipts from customers and others	\$ 11,631,262	\$ 8,881,571
Transfers from Government of Saskatchewan	1,023,864	1,169,520
Transfers from Government of Manitoba	259,682	323,682
Payments to suppliers and employees	(11,462,335)	(10,300,408)
Bank charges and interest paid	(18,739)	(11,231)
Interest received	15,208	1,917
	<u>\$ 1,448,942</u>	<u>\$ 65,051</u>
<b>Cash flows used in investing activities:</b>		
Purchase of property, plant and equipment	(602,346)	(875,947)
Purchase of breeding herd	(550)	-
Proceeds from sale of property, plant, equipment and breeding herd	39,449	12,876
	<u>\$ (563,447)</u>	<u>\$ (863,071)</u>
<b>Cash flows from financing activities:</b>		
Receipt of capital grants	-	244,996
Receipt of capital grants from Government of Saskatchewan	25,065	25,485
Decrease in restricted cash	184,227	531,505
	<u>\$ 209,292</u>	<u>\$ 801,986</u>
Net increase in cash position	1,094,787	3,966
Cash position, beginning of year	116,569	112,603
Cash position, end of year	<u>\$ 1,211,356</u>	<u>\$ 116,569</u>
<b>Comprised of:</b>		
Cash	\$ 112,533	11,243
Due from General Revenue Fund	1,098,823	353,986
Bank indebtedness	-	(248,660)
	<u>\$ 1,211,356</u>	<u>\$ 116,569</u>

See accompanying notes to the financial statements



# Notes to the Financial Statements

March 31, 2011

## 1. Status of Institute

The Prairie Agricultural Machinery Institute (Institute) is a body corporate operating under *The Prairie Agricultural Machinery Institute Act, 1999*. Its primary purpose is to perform tests and conduct research on machinery, equipment and technologies used in the agriculture and food industries. The Institute's testing facilities are located in Humboldt and Lanigan, Saskatchewan and Portage la Prairie, Manitoba.

On wind-up, any net assets will be divided between the Governments of Saskatchewan and Manitoba in proportion to their respective share in the Institute's assets equivalent to the percentage of funding provided to date by each province.

The Institute's objective when managing its capital structure, which consists of net assets, is to ensure adequate funding exists to support its operations and growth strategies. Capital is managed through grant funding and an available line of credit. The Institute does not have any long-term debt.

The Institute relies on funding from the Governments of Saskatchewan and Manitoba and on one customer for continued fee for service revenue. This customer accounts for 64% (2010 - 64%) of its fee for service revenue and 65% (2010 - 62%) of accounts receivable.

## 2. Significant accounting policies

Pursuant to standards established by the Public Sector Accounting Board (PSAB), the Institute is classified as an other government organization. These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

### a) Revenue recognition

The Institute recognizes provincial transfers when received or receivable. The Institute's operations are funded by the Government of Saskatchewan (Saskatchewan) and the Government of Manitoba (Manitoba) according to an agreement between the two provinces. Under Order in Council 1800/79, the Institute is not required to return the unused portion of the provincial transfers.

The Institute recognizes fee for service revenue when the related services are provided. It recognizes fee for service on contracts and subscriptions using the percentage of completion method. It records monies received prior to providing services and subscriptions received for future periods as unearned revenue.

The Institute defers capital grants received from related parties for property, plant and equipment until the related assets are put in use and amortized. It recognizes capital grants as revenue equal to the amount of amortization charged for those assets. Unspent capital grants are recorded as restricted cash.

The Institute defers grants received from the Ministry of Agriculture for the purchase of a beef research herd and the establishment of the PAMI Applied BioEnergy Centre (ABC) and related interest earned. Interest earned on these amounts is recorded in deferred capital grants and deferred grant revenue - ABC respectively. It recognizes grants as revenue as funds are used for the intended purpose. Unspent grants are recorded as restricted cash.

### b) Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities reflect the exchange rates at the year-end exchange rates. Translation gains and losses are included in current earnings.

## c) Inventory

Inventory of livestock and feed is recorded at the lower of cost and net realizable value. Livestock inventory cost is determined using the weighted average method and feed inventory cost is determined using the first-in, first-out method.

## d) Property, plant and equipment, leasehold improvements

Property, plant and equipment, and leasehold improvements costing over \$1,000 are recorded at cost less accumulated amortization. Self-constructed assets are recorded at cost, including labour and materials. Amortization is recorded using methods and rates intended to amortize the cost of assets over their useful life.

	Method	Rate
Buildings	declining balance	5%
Equipment, furniture, and vehicles	declining balance	10%
Computer equipment	declining balance	30%
Leasehold Improvements	straight line	10%
Computer Software	straight line	33%

## e) Breeding Herd

The breeding herd is recorded at cost. This asset is being amortized at 20% declining balance.

## f) Financial instruments

Financial instruments are classified into one of the following categories: held for trading, held to maturity, available for sale, loans and receivables, and other financial liabilities. The Institute has no financial instruments classified as held to maturity or available for sale. There are no financial instruments which give rise to other comprehensive income.

### *Held for trading:*

The Institute has classified the following financial assets and liabilities as held for trading: cash, due from General Revenue Fund, restricted cash-General Revenue Fund, and bank indebtedness.

Held for trading financial instruments are subsequently measured at their fair value.

### *Loans and receivables:*

The Institute has classified accounts receivable as loans and receivables. These financial assets are initially recognized at their fair value approximated by the instrument's initial cost.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Net gains and losses arise upon derecognition and/or impairment and are recognized in excess of revenue over expenses.

### *Other financial liabilities:*

The Institute has classified accounts payable and accrued liabilities as other financial liabilities. These liabilities are initially recognized at their fair value approximated by the instrument's initial cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

#### Financial asset impairment:

The Institute assesses impairment of all its financial assets, except those classified as held for trading. Management considers many factors in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in current year earnings.

### g) Use of estimates

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

## 3. Future accounting changes

The Accounting Standards Board of the Canadian Institute of Chartered Accountants has confirmed that International Financial Reporting Standards (IFRS) will replace current Canadian generally accepted accounting principles for fiscal years beginning on or after January 1, 2011, for publicly accountable enterprises. Further, the Introduction to the Public Sector Accounting Board's (PSAB) Recommendations has been revised to reduce the number of categories of entities within the scope of the standards and to allow "other government organizations" to choose the PSAB accounting standards or IFRS as an accounting framework. The Institute has determined that PSAB accounting standards will be adopted effective for the fiscal year ended March 31, 2012, including comparative figures for the prior year.

## 4. Due from General Revenue Fund

Due from General Revenue Fund is money held in a bank account included in the Government of Saskatchewan's Consolidated Offset Bank Concentration arrangement. The Institute receives interest on a quarterly basis from the General Revenue Fund calculated using the Government of Saskatchewan's thirty-day borrowing rate and the Institute's average daily bank account balance. For 2011, the average interest rate was .80% (2010 - .27%).

## 5. Restricted Cash

	2011	2010
Balance, beginning of year	\$ 2,819,952	\$ 3,351,457
Restricted funds received	25,000	269,996
Interest revenue	22,076	8,921
Restricted funds expended	(231,303)	(810,422)
Balance, end of year	\$ 2,635,725	\$ 2,819,952

Restricted cash is government grant funds held for designated expenditures to be incurred in future years.

## 6. Inventory

	2011	2010
Livestock	\$ 105,094	\$ 120,062
Feed	50,972	121,491
Total	\$ 156,066	\$ 241,553

Inventory expensed in 2011 was \$132,580 (2010 - \$115,401).

## 7. Property, plant and equipment

	2011			2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	\$ 4,866,382	\$2,715,026	\$2,151,356	\$1,959,142
Equipment	2,901,644	1,671,676	1,229,968	1,164,196
Land and improvements	279,841	-	279,841	279,841
Furniture	149,717	116,018	33,699	37,443
Vehicles	507,218	322,036	185,182	195,033
Computer equipment	561,426	443,383	118,043	93,565
Leasehold improvements	124,164	31,734	92,430	101,206
Computer software	37,219	16,875	20,344	8,937
Asset under construction	-	-	-	25,169
	<u>\$ 9,427,611</u>	<u>\$5,316,748</u>	<u>\$ 4,110,863</u>	<u>\$3,864,532</u>

## 8. Breeding herd

	2011			2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Breeding Herd	<u>\$ 510,560</u>	<u>\$265,045</u>	<u>\$ 245,515</u>	<u>\$302,180</u>

The breeding herd consists of cows that will be used for beef research in the operations of the Western Beef Development Centre.

## 9. Bank indebtedness

The Institute is authorized to borrow up to \$1.0 million under its legislation. The Institute has established a line of credit of \$800,000 with a bank and assigned its accounts receivable as collateral. It incurs interest at the bank's prime rate which was 2.5% (2010 - 2.25%).

## 10. Deferred grant revenue - Applied BioEnergy Centre (ABC)

In March 2007, the Institute and the Ministry of Agriculture (Ministry) signed a Memorandum of Understanding (MOU) under which the Institute received \$3.3 million to create a research program in bio-energy and processing. The Institute received the funds in April 2007. Pursuant to the MOU, the Institute and the Ministry negotiated an agreement which established guidelines on how the \$3.3 million would be spent. During 2010-11, the Institute received approval from the Ministry to spend \$166,365.

	2011	2010
Balance, beginning of year	\$ 2,858,574	\$ 3,208,193
Earned interest	22,011	8,435
Grant recognized	(166,365)	(358,054)
Balance, end of year	<u>\$ 2,714,220</u>	<u>\$ 2,858,574</u>

# 11. Commitments

The Institute has committed to provide future services to several research and development projects. At March 31, 2011, the value of these services totals \$233,059 (2010 - \$329,788).

Lease terms on vehicles, equipment and land range from 3 to 7 years. In 2011, these lease costs totalled \$77,609 (2010 - \$76,333). The Institute is required to make the following minimum lease payments on these leases:

2012	\$18,070
2013	11,196
2014	1,221
2015	40
2016	30

# 12. Financial instruments

## a) Fair value of financial instruments

The fair value of the following financial assets and liabilities approximates their carrying value due to their short-term nature:

- Cash, restricted cash- General Revenue Fund and due from General Revenue Fund;
- Accounts receivable;
- Bank indebtedness; and
- Accounts payable and accrued liabilities

The following summarizes the classification, carrying values and fair values of the Institute's financial instruments:

	Classification	Level	2011		2010	
			Carrying Value	Fair Value	Carrying Value	Fair Value
Cash	HFT	1	\$ 112,533	\$ 112,533	\$ 11,243	\$ 11,243
Due from General Revenue Fund	HFT	1	1,098,823	1,098,823	353,986	353,986
Accounts receivable	L&R	n/a	2,650,456	2,650,456	3,057,956	3,057,956
Restricted cash	HFT	1	2,635,725	2,635,725	2,819,952	2,819,952
Bank indebtedness	HFT	1	-	-	248,660	248,660
Accounts payable and accrued liabilities	OL	n/a	1,288,793	1,288,793	1,194,672	1,194,672

Classification details are:

- HFT – held-for-trading
- L&R – loans and receivables
- OL – other financial liabilities



#### **b) Fair value hierarchy**

Canadian generally accepted accounting principles requires fair value measurements to be categorized into levels within a fair value hierarchy on the nature of inputs used in the valuation.

Level 1 – Quoted prices are readily available from an active market.

Level 2 – Inputs, other than quoted prices included in level 1, that are observable either directly or indirectly.

Level 3 – Inputs are not based on observable market data.

The Institute's accounts receivable, accounts payable and accrued liabilities have not been classified in the fair value hierarchy given that carrying value approximates fair value due to their immediate or short-term maturity.

#### **c) Credit risk**

The Institute is exposed to credit risk from the potential non-payment of accounts receivable. The credit risk on these accounts receivable is minimal because most contracts are with provincial and/or federal governments or well-established large private companies.

#### **d) Foreign currency risk**

The Institute enters into transactions denominated in United States currency for which the related revenues, expenses, accounts receivable and accounts payable balances are subject to exchange rate fluctuations. As at March 31, 2011 the following items are denominated in United States currency (\$ CAD converted at \$1 USD - .9696 CAD (2010 - 1.0158)):

	2011	2010
Cash	\$ 10,145	\$ 9,144
Accounts receivable	131,112	2,562
Accounts payable	15,452	7,462

The net foreign exchange loss for 2011 was \$17,705 (2010 - \$28,679).

#### **e) Risk management policy**

Although the Institute does not have a risk management policy, the Institute has approved a number of policies relating to risk management including Quality Assurance.

#### **f) Liquidity risk**

Liquidity risk is the risk that the Institute will encounter difficulty in meeting obligations associated with financial liabilities. The Institute enters into transactions to purchase goods and services on credit. In the normal course of business, these credit purchases are paid within 30 to 60 days. Liquidity risk is measured by reviewing the Institute's future net cash flows for the possibility of a negative net cash flow. The Institute manages the liquidity risk resulting from its accounts payable by establishing an \$800,000 line of credit.

### **13. Related party transactions**

These financial statements include transactions with related parties. The Institute is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. The Institute is also related to all Manitoba Crown agencies because of the Government of Manitoba's participation in the operations of the Institute. In addition, the Institute is related to non-Crown enterprises that the Government of Saskatchewan or the Government of Manitoba jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the agreed upon rates and are settled on normal trade terms. Those transactions and amounts outstanding at year-end are as follows:

<u>Financial statements category</u>	<u>2011</u>	<u>2010</u>
Fee for service revenue	\$ 1,538,190	\$ 1,422,300
Other operating expenses	966,534	936,455
Accounts receivable	129,816	360,527
Accounts payable and accrued liabilities	59,038	78,683
Unearned revenue	619,389	358,483

The Institute has leased land from the University of Saskatchewan for a nominal amount until 2012. In addition, the Institute pays Saskatchewan and Manitoba provincial sales tax on its taxable purchases made in those provinces. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

#### 14. Contractual arrangements

Under contract with Western Canada Testing Inc. (WESTEST), the Institute manages and operates WESTEST under the direction of WESTEST's Board of Directors for a certain percentage of the service fees from WESTEST clients. During the year, the Institute earned fee for service revenue of \$263,234 (2010 - \$432,865) from WESTEST. At year-end, accounts receivable includes \$180,659 (2010 - \$209,535) due from WESTEST.

#### 15. Horned Cattle Fund

The Institute had a prior agreement with the Horned Cattle Fund which was fulfilled as of March 31, 2010. In the current fiscal year the Institute sold 8 remaining Horned Cattle Fund calves and received the proceeds from those sales.

#### 16. Pensions

The Institute's employees participate in either the Saskatchewan Public Service Superannuation Plan, a multi-employer defined benefit pension plan, or the Saskatchewan Public Employees Pension Plan, a multi-employer defined contribution pension plan. The Institute's responsibility is limited to paying the required employer contributions for its employees. Salaries and benefits include contributions of \$278,776 (2010 - \$255,879).

#### 17. Budget

The budget for 2010/2011 was approved by the Board on April 13, 2010.

#### 18. Contingency

At year-end an action was outstanding against the Institute, of which the ultimate outcome is not yet determinable and accordingly, no liability has been recorded in the financial statements.

# Schedule 1

## Schedule of Expenses for the Year Ended March 31

	Budget (Note 17)	2011	2010
Salaries and benefits	\$ 5,697,900	\$ 6,022,866	\$ 5,509,563
Supplies and services	4,849,056	5,428,724	4,926,566
Amortization	409,992	411,004	419,273
Lease – land and equipment	80,616	70,947	70,273
Bank charges and interest expense	10,200	18,739	11,231
Loss on disposal of assets	18,000	14,377	21,086
Bad debt expense (recovery)	34,800	12,903	(30,000)
Honoraria	6,420	6,272	6,007
	<u>\$ 11,106,984</u>	<u>\$ 11,985,832</u>	<u>\$ 10,933,999</u>

# PRAIRIE AGRICULTURAL MACHINERY INSTITUTE

## Salaries and Payments Over \$50,000

March 31, 2011

Gullacher, David	\$ 143,137.85
Lucyshyn, Troy	126,464.55
Wassermann, James	126,463.62
Jefferson, Paul	124,629.06
Leduc, Philip	117,185.36
Landry, Hubert	116,866.27
Chorney, Harvey	114,331.49
Lung, Bryan	110,204.22
Forer, Joanne	107,937.11
Hill, Leslie	106,792.85
Lardner, Herbert	101,975.59
Bay, Ted	101,258.89
Kosokowsky, Murray	100,450.57
Whittaker, Alan	100,144.70
Rude, Derek	99,161.40
Swiddle, Stephen	97,994.56
Jorgenson, Larry	96,774.56
Marianchuk, Mark	95,411.61
Kelly, David	94,737.86
Agnew, Joy	89,694.16
Gregg, Nathan	89,084.12
Grieger, Lorne	87,694.48
Bergermann, Carol	85,260.83
Burton, Gregory	84,515.39
Carmichael, Ken	84,297.77
Widdifield, George	82,441.74
Bjarnason, Tyrell	79,065.10
Rauert, Andrew	78,390.53
Malinski, Marilyn	74,482.01
Cropper, Robert	74,323.18
Perlett, Darryl	73,791.50
Thiemann, Blair	72,443.48
Kennedy, Scott	71,853.39
Niekamp, Gary	70,892.05
Classen, Lawrence	70,843.11
Kotyk, Lyle	69,184.51
Hergott, Brent	69,102.01
Harmon, Jason	68,691.33
Kolenosky, Ryan	68,200.67
Smith, Arthur	66,454.96
Rhodes, Peter	66,217.99
Hodgins, Bruce	65,966.15





Grywacheski, Sheldon	65,396.27
Szautner, Laurie	65,382.24
Pearce, Leah	63,707.06
Larson, Katherine	63,596.12
Gono Santosa, Edwin	63,554.27
McDonald, Joel	60,333.05
Dies, Tyler	58,896.24
Lung, Patricia	58,758.02
Bendel, Jason	58,134.12
Funk, Leslie	57,131.22
Cleaver, Cameron	57,088.87
Haeusler, Marina	56,507.87
Britz, Myrna	54,510.72
Doepker, Sharon	52,812.50
Cameron, Rob	51,629.92

---

**\$ 4,712,251.06**

---



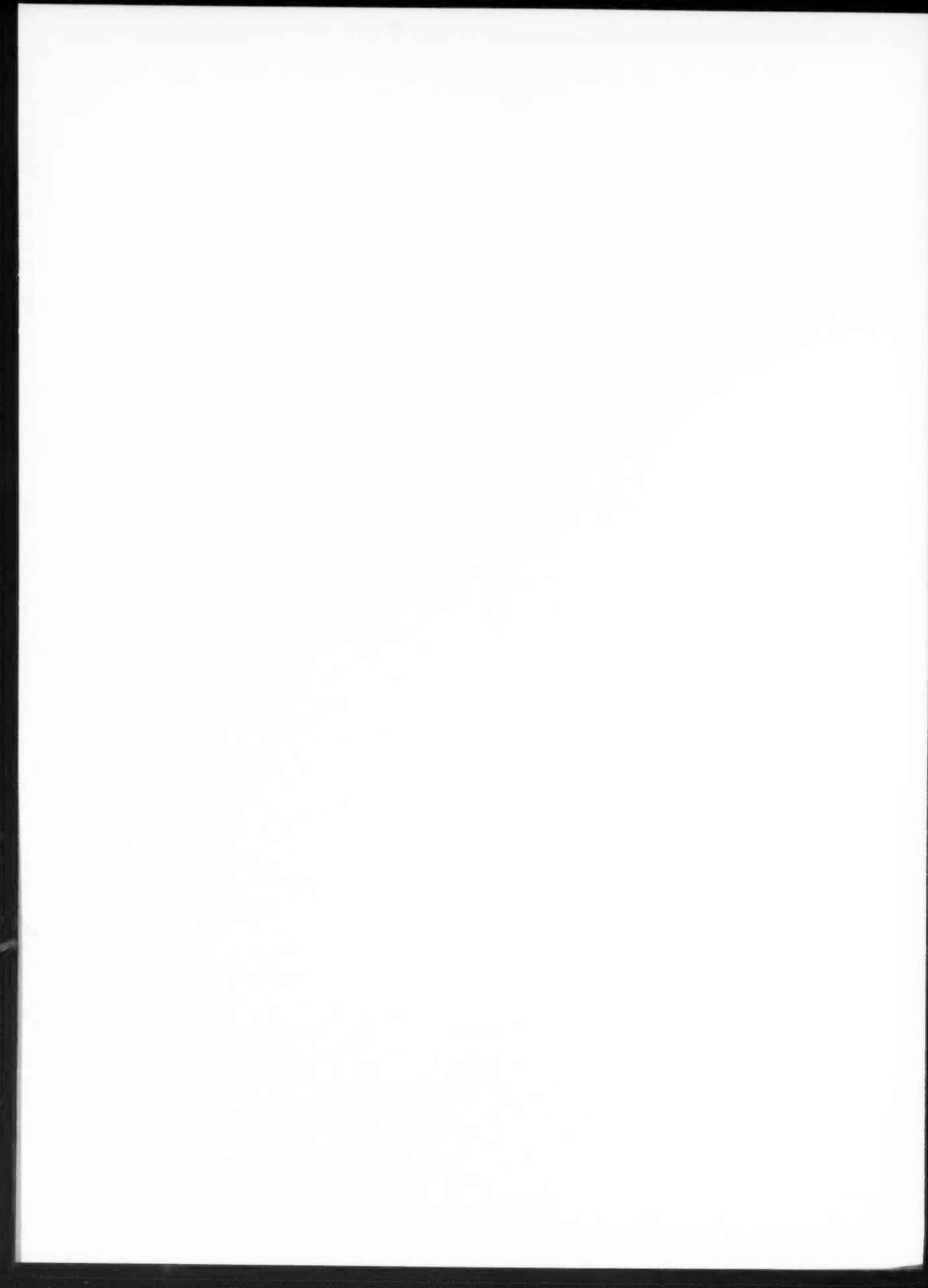
**PRAIRIE AGRICULTURAL MACHINERY INSTITUTE  
PAYEE LIST**

**March 31, 2011**

**Vendors Over \$50,000**

<u>Vendor</u>	<u>Amount</u>
Public Employees Pension Plan	517,600.28
WESTEST	508,099.89
AxleTech International	455,300.00
Royal Bank Visa	414,777.62
Equitable Life	270,383.52
Marsh Canada Ltd	223,595.00
Wimmer Brook Enterprises Inc.	157,903.66
Cleeve Technology	118,292.02
Gregg Distributors Co. Ltd.	115,462.64
Raydan Manufacturing Inc.	109,844.51
HB International	108,537.95
Receiver General Canada	107,739.71
Netlink Computer Inc.	106,241.28
DME Incorporated	103,857.35
BAE Systems Land & Armaments	102,025.00
Berendsen Fluid Power	102,006.05
Pat's Driveline	96,348.05
Sandlot Sandblasting	87,958.50
SaskPower	84,196.85
Rimex Supply Ltd	75,337.50
Milrail Inc.	74,019.31
Vibrant Power Inc.	71,558.87
Xtreme Limits	69,742.19
Bunz Electric Ltd.	66,845.00
Autodesk Inc - Dept 8	66,487.68
Acklands - Grainger Inc.	65,272.15
Sask Property Management Corp.	60,623.62
Thompson Travel	55,100.17
Wil-Tech Industries Ltd.	50,743.45
	<u><u>4,445,900</u></u>







**PAMI Corporate Services**

Box 1150, 2215 8th Avenue  
Humboldt, SK S0K 2A0

P: (306) 682-2555, 1-800-567-PAMI

F: (306) 682-5080

pami@sasktel.net

**PAMI Saskatchewan**

P: (306) 682-5033

F: (306) 682-5080

humboldt@pami.ca

**PAMI Manitoba**

Box 1060, 390 River Road

Portage la Prairie

P: (204) 239-5445

F: (204) 239-7124

portage@pami.ca

**WBDC Main Office**

Box 1150, 2215 8th Avenue  
Humboldt, SK S0K 2A0

P: (306) 682-3139

F: (306) 682-5080

info.wbdc@pami.ca

**WBDC Research Ranch**

Box 700

Lanigan, SK S0K 2M0

P: (306) 365-3366

F: (306) 365-3374

humboldt@pami.ca

[www.pami.ca](http://www.pami.ca)

[www.wbdc.ca](http://www.wbdc.ca)

[www.westest.ca](http://www.westest.ca)

